

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

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TO SECSTATE WASHDC 225

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

LIMITED OFFICIAL USE SECTION 1 OF 2 LAHORE 1473

E.O. 11652: N/A

TAGS: PINT, PK

SUBJECT: BHUTTO TOUR OF PUNJAB - ECONOMIC AFFAIRS

REF: LAHORE 1437

BEGIN SUMMARY: DURING HIS 8-DAY TOUR OF PUNJAB, PRIME MINISTER BHUTTO SPENT CONSIDERABLE TIME DISCUSSING ECONOMY, PARTICULARLY SUBJECTS OF INFLATION, WATER-LOGGING, AND SALINITY, COTTON PRICES, NEED FOR GROWING MORE FOOD GRAIN, SMUGGLING AND HIS PARTY'S DESIRE TO IMPLEMENT SOCIALISM AND DO AWAY WITH CAPITALIST EXPLOITATION.

HE ALSO TOOK OCCASION TO FAVOR BAHAWALPUR DIVISION WITH NUMBER OF SMALL GIFTS, INCLUDING TEXTILE MILL AND FERTILIZER FACTORY AND PROMISED ASSISTANCE IN OBTAINING TUBEWELLS, TRACTORS, BETTER ROADS, BRIDGES, NATURAL GAS, GHEE AND SUGAR MILLS AND RAILWAY LINES. IN GENERAL, BHUTTO'S STATEMENTS ON ECONOMY SOUNDED MORE LIKE CAMPAIGN ORATORY THAN ANYTHING ELSE, AND IT IS DIFFICULT TO SEE HOW HE CAN MEET NUMBER OF PROMISES HE MADE. HIS RETURN TO OLD THEME OF SOCIALISM AT EXPENSE OF CAPITALISTS AND INDUSTRIALISTS WILL NOT HELP HIS EFFORTS TO ATTRACT MORE PRIVATE INVESTMENT OR

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MAKE HIS RECENT ASSURANCES TO PAK BUSINESSMEN CREDIBLE.

MOREOVER, HIS BLANDISHMENTS TO FARMERS WILL NOT CAUSE BETTER CROPS TO MATERIALIZE IN ABSENCE OF INCREASED PROCUREMENT PRICES AND WATER. IN SHORT, IT SOUNDED GOOD, BUT ACCOMPLISHED LITTLE. END SUMMARY.

1. DURING HIS 8-DAY TOUR OF SOUTHERN PUNJAB, PRIME MINISTER RETURNED ALMOST DAILY TO SUBJECT OF ECONOMY, ESPECIALLY ISSUE OF INFLATION. HE REPEATED ARGUMENTS HE HAS USED BEFORE, SAYING THAT INFLATION WAS LARGELY DUE TO INTERNATIONAL FACTORS EXTERNAL TO PAKISTAN AND THAT PAKISTAN WAS IN FAR BETTER CONDITION THAN ANY OF ITS NEIGHBORS IN SUB-CONTINENT. HE ARGUED THAT ONE OF PRIME CAUSES OF INFLATION WAS HUGE EXPENDITURE OF FOREIGN EXCHANGE FOR FOOD GRAIN IMPORTS. AT SAME TIME, HE ADMITTED THAT BILL FOR IMPORT OF PETROLEUM PRODUCTS WAS LARGER THAN THAT FOR FOOD GRAIN, BUT SAID PAKISTAN COULD NOT CRITIZE OIL PRODUCERS FOR RAISING PRICES BECAUSE PRODUCERS WERE "OUR MUSLIM BROTHERS" WHO HAD RAISED PRICES FOR "NOBLE PURPOSE." HE HOPED, HOWEVER, THAT "BROTHERLY COUNTRIES" WITH THEIR INCREASING PROSPERITY WOULD BE BENEFICENT TO PAKISTAN.
2. NOTING THAT BAHAWALPUR DIVISION HAD LOST ESTIMATED 420,000 ACRES OF AGRICULTURE LAND TO WATER-LOGGING AND SALINITY, PRIME MINISTER MAINTAINED HIS GOVERNMENT WOULD ATTACK PROBLEM ON NATIONAL BASIS. HE PROMISED TO "ERADICATE THIS MENACE" DURING HIS TERM OF OFFICE. HE INDICATED HE WAS AWARE THAT BAHAWALPUR DIVISION HAD BEEN PERHAPS HARDEST HIT BY INDO-PAK INDUS WATERS TREATY BECAUSE ITS PRIMARY RIVER, SUTLEJ, HAD ALL ITS WATER USED IN INDIA. HE ADDED THAT GOVERNMENT HAD ALSO FINALIZED PLANS FOR EQUITABLE DISTRIBUTION OF INDUS WATERS AMONG ALL FOUR PROVINCES. IN ADDITION HE PROMISED BAHAWALPUR DIVISION PREFERENCE IN OBTAINING SUBSIDIES FOR SINKING TUBEWELLS.

3. NOTING THAT BAHAWALPUR WAS MAJOR COTTON GROWING AREA, BHUTTO TOLD SEVERAL OF HIS AUDIENCES THAT GOVERNMENT WOULD NOT ALLOW PRICES TO FALL BELOW 70 OR 80 RUPEES A MAUND. IF IT FELL BELOW RS. 70 GOVERNMENT IT-SELF WOULD BUY ALL STOCKS FROM GROWERS. HE ALSO LIMITED OFFICIAL USE

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ASSURED GROWERS THAT GOVERNMENT WOULD DO ITS BEST TO INSURE THAT GINNERS WOULD PROMPTLY PAY FOR COTTON THEY PROCESSED. (COMMENT: PRICE OF RAW COTTON LAST YEAR WAS SET BY GOP AT RS. 90 A MAUND, BUT IT ACTUALLY SOLD AT ABOUT RS. 80 PER MAUND. ALL OF OUR COTTON GROWING CONTACTS HAVE TOLD US CATEGORICALLY THAT TO SELL COTTON AT TS. 70 OR 80 WOULD MEAN LOSS TO THEM.)

4. PRIME MINISTER ALSO DWELT ON SUBJECT OF FOOD GRAIN PRODUCTION, CALLING ON FARMERS TO DO THEIR BEST TO MAKE NATION SELF-SUFFICIENT. HE REMINDED AUDIENCES THAT GOVERNMENT HAD RECENTLY RAISED PROCUREMENT PRICE OF ALL AGRICULTURAL COMMODITIES AS INCENTIVE TO FARMERS. HE ASSURED FARMERS THAT PRICE OF FERTILIZER WOULD NOT AGAIN BE INCREASED AND PROMISED MORE LOANS FOR TRACTORS AND TUBEWELLS. HE SAID GOVERNMENT HAD DECIDED TO IMPORT 15,000 TRACTORS AND RAISE SUBSIDY ON THEM FROM RS. 4,000 TO RS. 8,000. ALSO, HE HAD ORDERED WAPDA TO INITIATE SCRAP PROJECT IN BAHAWALPUR DIVISION SPECIFICALLY TO INSTALL MORE TUBEWELLS. AT SADIQABAD ON NOV 9, HE DISCLOSED THAT FAUJI FOUNDATION AND US COMPANY WERE NEGOTIATING FOR SETTING UP FERTILIZER FACTORY THERE. IN RELATED STATEMENT, HE PROMISED SUI BAS FACILITIES FOR DIVISION.

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

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FM AMCONSUL LAHORE

TO SECSTATE WASHDC 226

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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E. O. N/A

TAGS: PINT, PK

SUBJECT: BHUTTO TOUR OF PUNJAB - ECONOMIC AFFAIRS

5. REMINDING AUDIENCES THAT BAHAWALPUR DIVISION RAN ALONG INDIAN BORDER, PRIME MINISTER DEPLORED SMUGGLING AS MAJOR FACTOR OF INFLATION IN PAKISTAN. HE CALLED

UPON AUDIENCES TO THINK OF PAKISTAN FIRST AND HELP
GOVERNMENT STOP SMUGGLING OF BASIC COMMODITIES TO
"ENEMY" TERRITORY IN INDIA AND AFGHANISTAN.

6. IN RAHIM YAR KHAN ON NOV. 9, PRIME MINISTER REPEATED STATEMENT HE HAS MADE SEVERAL TIMES IN PAST THAT GOVERNMENT WOULD NOT NATIONALIZE ANY MORE INDUSTRIES DURING HIS TERM OF OFFICE. ACCORDING TO GOVERNMENT- CONTROLLED PAKISTAN TIMES, HOWEVER, HE FOLLOWED THIS WITH DECLARATION THAT THERE WAS NO ROOM FOR CAPITALISM IN PAKISTAN, AND THAT PPP HAD DECIDED TO DO AWAY WITH CAPITALIST SYSTEM. (NOTE: FOREGOING IS AS SUMMARIZED BY REPORTER AND ACTUAL TEXT NOT AVAILABLE, ALTHOUGH SIMILAR ACCOUNTS CARRIED IN OTHER PAPERS.) HE SAID HIS GOVERN- MENT COULD NOT ALLOW ZAMINDARS AND INDUSTRIALISTS TO OPERATE FARMS AND FACTORIES WITHOUT GOVERNMENT CONTROL.

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HE DISAGREED WITH THOSE WHO SAID THAT NATIONALIZATION OF CERTAIN BASIC INDUSTRIES HAD HARMED COUNTRY'S ECONOMY, AND CONTENDED THAT STEP HAD BEEN TAKEN IN LARGER INTERESTS OF PEOPLE. HE ATTEMPTED TO DRAW DISTINCTION BETWEEN INDUSTRIALISTS AND LANDOWNERS, FOR WHO THERE WOULD BE ROOM UNDER SYSTEM OF SOCIALISM HE DESIRED, AND "EXPLOITING GROUPS LIKE CAPITALISTS AND JAGIRDARS," WHO WERE, HE CHARGED, PRIMARILY RESPONSIBLE FOR POVERTY IN NATION. HE SAID HE BELIEVED CAPITALIST SYSTEM HAD FAILED IN PAKISTAN AND COULD NOT NOW FUNCTION.

7. COMMENT: DESPITE DENIAL THAT GENERAL ELECTIONS WOULD BE HELD IN PAKISTAN IN NEAR FUTURE, BHUTTO'S COMMENTS ON ECONOMIC MATTERS SOUNDED SUSPICIOUSLY LIKE CAMPAIGN ORATORY. MOREOVER, HIS ATTACKS ON CAPITALISTS WERE REHASH OF LINES HE USED DURING 1970 ELECTIONS, AND ACCURATELY REFLECTED PPP MANIFESTO. HE PROMISED A LOT, AND MOST OBSERVERS IN LAHORE FRANKLY DOUBT THAT HE CAN DELIVER, AT LEAST IN NEXT 2 OR 3 YEARS. ON SEVERAL OCCASIONS, HE OFFERED BLANDISHMENTS TO FARMERS IN EFFORT TO ENCOURAGE INCREASED COTTON AND FOOD GRAIN CROPS. HOWEVER, OUR FARMING CONTACTS ARE NOT IMPRESSED BY HIS REMARKS, SAYING THAT HIS REFUSAL TO ALLOW INCREASE IN PROCUREMENT PRICES FOR FOOD GRAINS IN PARTICULAR DOES NOT GIVE FARMERS ENOUGH MARGIN TO RAISE CROPS WITHOUT SUFFERING FINANCIAL LOSS. MOREOVER, NONE OF HIS ORATORY CAN SOLVE PROBLEM OF LACK OF WATER IN RIVERS AND CANALS. THOSE "TYCOONS" WITH WHOM WE HAVE TALKED IN LAST COUPLE OF DAYS HAVE PREDICTABLY REACTED TO BHUTTO'S RAHIM YAR KHAN SPEECH DENOUNCING CAPITALISTS BY SAYING, "I TOLD YOU SO," AND ARGUING THAT ONCE AGAIN BHUTTO HAS OFFERED CARROT WITH ONE HAND -- WHILE USING

STICK WITH OTHER. THEY DOUBT THAT HIS CALL FOR INCREASED PRIVATE INVESTMENT IN INDUSTRIAL SECTOR WILL ATTRACT MUCH RESPONSE FOLLOWING REMARKS AT RAHIM YAR KHAN. IN SHORT, MOST OF WHAT PRIME MINISTER SAID AT BAHAWALPUR DIVISION APPARENTLY SOUNDED GOOD TO RURAL AUDIENCES, BUT WE SEE LITTLE IN HIS STATEMENTS TO INDICATE REAL ACCOMPLISHMENTS TO FOLLOW.

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